

## Message Text

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ACTION AF-08

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 6763

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REF: LAGOS 10359

1. SEPTEMBER 10 ISSUE OF "DAILY TIMES" RAN SURPRISINGLY MILD FRONT PAGE STORY ON CITIBANK FIRING 21 EMPLOYEES. ARTICLE USED PART OF DISMISSAL LETTER BY CITIBANK MANAGING DIRECTOR BELLOWS QTE IN LINE WITH THE HEAD OF STATE'S JUNE 29, 1976 ANNOUNCEMENT OF A MEASURE OF NIGERIANIZATION OF THE BANKING INDUSTRY AND THE SUBSEQUENT NEGOTIATIONS WHICH WERE HELD WITH US, IT WAS DECIDED THE BANK WOULD GIVE UP ITS BANKING LICENSE. BASED UPON THAT DECISION WE ARE FORCED TO REDUCE OUR STAFF TO A LEVEL WHICH IS IN LINE WITH OUR ON-GOING AFFAIRS UNQTE. FOLLOW-UP MEDIA ARTICLES ON SEPTEMBER 13 REPORTED THAT FMG DIRECTIVE TO THE CENTRAL BANK QTE TO PROVIDE LEADERSHIP IN ARRANGEMENTS TO ABSORB QUALIFIED PERSONNEL LIKELY TO BE SO AFFECTED UNQTE.

2. CITIBANK REP CONFIRMED GIST OF DAILY TIMES ARTICLE AND SAID BANK DEFINITELY PLANS TO GIVE UP MERCHANT BANK LICENSE. HOWEVER, FMG HAS NO RPT NO PLANS TO TAKE OVER CITIBANK'S ORGANIZATION/ PORTFOLIO IN TOTO AND OPERATE IT AS A SEPARATE ENTITY. PROBLEMS OF PERSONNEL RELOCATION AND DISPOSAL BANK'S LOAN PORTFOLIO REMAIN TO BE WORKED OUT. ADDITIONAL MATTER TO BE DISCUSSED IN CONTINUING NEGOTIATIONS IS CITIBANK'S FUTURE IN NIGERIA.

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3. ALTHOUGH SACKING OF 21 LOCAL EMPLOYEES RECEIVED FRONT PAGE

TREATMENT, LIKELY THAT THEIR RELOCATION WILL NOT PROVE MAJOR PROBLEM OR IRRITANT. CITIBANK ACTIVELY WORKING WITH FMG TO TRANSFER EMPLOYEES, PROBABLY TO AN FMG CONNECTED BANKING INSTITUTION.

4. DISPOSAL CITIBANK'S PORTFOLIO IS MORE STICKY. CITIBANK HAD HOPED TO SELL ASSETS AS A BLOCK TO THE FMG AFFILIATED NIGERIAN BANK FOR COMMERCE AND INDUSTRY (NBCI) BUT NBCI REFUSED TO NEGOTIATE (REASON NOT CLEAR). NEW CITIBANK OFFER TO FMG RE ITS OUTSTANDING LOAN ASSETS IS TO STAY AS MERCHANT BANK PAST SEPT. 30 DEADLINE, BUT LIMIT OPERATIONS TO DISPOSING OR RETIRING ITS LOAN ASSETS WITHIN A FIXED TIME PERIOD--PERHAPS UP TO 9 MONTHS. IF THIS OPTION REFUSED BY FMG, CITIBANK MAY HAVE TO FORECLOSE ALL OUTSTANDING LOANS IMMEDIATELY.

5. CITIBANK'S STRATEGY RE ITS FUTURE IN NIGERIA HAS JELLED. ALTHOUGH THERE IS STILL SOME TALK ABOUT REPEATING ITS 1972 WALKOUT, CITIBANK HAS DECIDED IT WILL TRY TO RETAIN A RESIDUAL PRESENCE IN NIGERIA. A "FINANCIAL SERVICES COMPANY" WHICH WOULD OFFER INVESTMENT BANK-TYPE SERVICES IS THE PREFERRED OPTION. CITIBANK'S DECISION TO STAY IS BASED ON PERCEPTION THAT GOVERNMENT INDIGENIZATION POLICY RE FOREIGN BANKS IS TEMPORARY. FMG ABLE TO TAKE HARDLINE APPROACH BECAUSE THE BANKS ARE CURRENTLY VULNERABLE DUE TO EXCESS LIQUIDITY (FYI MOST IF NOT ALL LOCAL MAJOR BANKS HAVE STOPPED ACCEPTING DEPOSITS). HOWEVER, DECLINING FOREIGN EXCHANGE RESERVES AND THE AMBITIOUS NATIONAL DEVELOPMENT PLAN EVENTUALLY WILL FORCE A TURNAROUND IN NIGERIA'S FOREIGN BANK POLICY ENABLING CITIBANK AND OTHERS TO EXPAND OPERATIONS ON MORE FAVORABLE TERMS.

6. COMMENT: ALTHOUGH NIGERIA PROBABLY WILL MAKE GREATER USE OF INTERNATIONAL MONEY MARKETS TO FINANCE DEVELOPMENT IN FUTURE, NOT LIKELY THAT PRESENT COURSE OF INDIGENIZATION WILL BE REVERSED. NONETHELESS, CITIBANK'S DECISION TO WORK OUT ARRANGEMENTS TO REMAIN HERE EVEN IN A DIMINISHED CAPACITY IS WELCOME NEWS. ALSO, CITIBANK'S PLAN TO STAY ON AS A "FINANCIAL SERVICES COMPANY" MAY PRESAGE ESTABLISHMENT OF INVESTMENT BANKING IN NIGERIA. FYI MERRILL LYNCH, PIERCE, FENNER & SMITH REP HAS BEEN IN LAGOS LOBBYING FOR FMG ACCEPTANCE OF CONCEPT TO SET UP A MERRILL LYNCH INVESTMENT BANK BRANCH HERE. END FYI.

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## Message Attributes

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